

INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN CERTIFICATE IN ACCOUNTING AND FINANCE (CAF) EXAMINATIONS EXAMINERS' COMMENTS	
SUBJECT Cost & Management Accounting (CMA)	SESSION Autumn 2019

Passing %

Question wise							Overall
1	2	3	4	5	6	7	
29%	82%	39%	39%	62%	5%	08%	31%

General comments

Overall performance in this attempt was lower than previous attempt as passing ratio declined from 41% to 31%. Disappointing performance in Question 6 and Question 7 reflected selected study and poor time management in the overall attempt of question paper.

Question-wise common mistakes observed

Question 1(a)

- Examinees could not apply the concept of weighted average ratio to compute number of units sold.
- Examinees attempted to compute break even using contribution margin of both products individually instead of using combined contribution margin.

Question 1(b)

Examinees could not compute the net margin (contribution margin less desired retained profit percentage) correctly. Examinees applied profit retention percentage to existing sales without considering the other factors i.e. taxation and contribution margin. Please refer ICAP's suggested answer for further guidance.

Question 2(a)

- Examinees either missed to apply the impact of increase in quantity of production and sales or the impact of inflation while computing sales revenue and variable cost over a life of project.
- Examinees did not exclude allocated overheads while accounting for fixed cost.
- Examinees accounted for overhauling cost on machinery at the end of year 4 instead of beginning of year 4.
- Examinees did not account for depreciation on overhauling cost.

Question 2(b)

Examinees could not apply correct formula of IRR while computing the required discount rate.

Question 3(a)

Examinees could not account for opening and closing WIP units correctly while computing statement of equivalent units.

Question 3(b)

- Examinees could not differentiate between marginal and absorption costing while preparing the profit statements and used the components (contribution and gross profit) interchangeably under each statement.
- Examinees did not account for opening and closing WIPs while preparing marginal and absorption profit statements.
- Examinees did not account for change in material and conversion costs while computing opening WIP and finished goods.
- Examinees wasted time in computing production cost per unit wherein production cost was given in the question.

Question 4(a)

Examinees mixed up fixed overhead efficiency variance with fixed overhead capacity variance.

Question 4(b)

- Examinees either missed increase in production or increase in efficiency while determining the projected hours.
- Examinees did not account for increase in fixed overheads while computing the fixed costs.

Question 5

- Examinees could not apply the concept of weighted average sales ratio while determining the projected sales of each product.
- Examinees did not consider the impact of increase in the price of components from April and instead either accounted for whole year or ignored it altogether.
- Examinees could not account for decrease in demand while computing the variable cost components.
- Examinees did not apply the correct rates (60% and 60%) while computing the variable overheads and instead applied (60% and 40%).

Question 6

Examinees opted for guess work and performed poorly on this otherwise straight forward question from study text and question bank.

Question 7(a)

Examinees wrongly suggested FIFO method instead of Weighted Average method to be used in the times of fluctuating prices.

Question 7(b)

- Examinees could not bifurcate between variable cost and fixed cost while determining total costs under with or without further processing options.
- Examinees did not account for damaged units correctly while determining number of completed units manufactured.
- Examinees ignored the concept of valuing the inventory at lower of cost and NRV and simply reproduced the numbers from requirement (i) of this part.

(THE END)